**Unit 4 ~ Chapter 12 - 14**

**Study Guide**

**True and False Questions**

1. \_\_\_\_\_ Most business plans are developed for one year and then updated for the next three years.
2. \_\_\_\_\_ Short –term financing is the money needed to pay for the current operating activities of a business.
3. \_\_\_\_\_ Fewer than half of all new businesses will survive for five years.
4. \_\_\_\_\_ Work experience in the same type of business you plan to start is necessary to the success of that business.
5. \_\_\_\_\_ People who have retired from full-time work usually go to work part-time at large corporations.
6. \_\_\_\_\_ Profit sharing means that employees receive their regular compensation plus a share of the profits earned by the company.
7. \_\_\_\_\_ When a new piece of equipment or a new procedure is added to a small business, employees will usually receive training.
8. \_\_\_\_\_ The hiring procedure used by new small businesses is often much less formal than that used by larger companies.
9. \_\_\_\_\_ A business budget anticipates sources and amounts of income.
10. \_\_\_\_\_ Expenses include the total revenue minus operating costs of the small business.
11. \_\_\_\_\_ The Small Business Administration (SBA) provides a number of planning tools for new small businesses.
12. \_\_\_\_\_ Budgets identify the financial plans of a business.
13. \_\_\_\_\_ Net income results when costs are greater than revenue.
14. \_\_\_\_\_ The most important step in financial planning is developing an income statement.
15. \_\_\_\_\_ Every business begins with an idea.

**Multiple Choice Questions**

1. The most important step in starting a business is
   1. Information
   2. Preparation
   3. Financing
   4. An idea
2. The first part of a business plan is
   1. A customer analysis
   2. Financial plans
   3. A description of the competition
   4. A description of the business
3. Short-term financing is obtained for a period of
   1. More than two years
   2. One to two years
   3. Less than a year and often for one or two months
   4. Less than a year and often more than five months
4. Which statement is true about a proprietorship?
   1. One person will supply the money needed to start the business
   2. Partners contribute to the necessary financing of the business
   3. The company is owned and operated by shareholders
   4. Two people control the money, and a board of directors helps with the decision-making
5. Compensation is defined as
   1. Commissions and base incentives
   2. Straight salary and commissions
   3. Money paid to an employee for work performed
   4. Profit sharing and piece rates
6. A type of incentive where employees receive their regular compensation plus a share of the profits earned by a company is called
   1. Profit sharing
   2. Commission
   3. Straight salary
   4. Base plus incentive salary
7. A balance sheet lists
   1. Assets and liabilities
   2. Financial plans and budgets
   3. Liabilities and budgets
   4. Net income
8. The budget that describes the financial plan for the day-to-day operations of the business is called
   1. A start-up budget
   2. An operating budget
   3. A cash budget
   4. A financial plan
9. A budget that estimates income and expenses from the beginning of the business until it becomes profitable is called a
   1. Start-up budget
   2. Financial plan
   3. Cost budget
   4. Long-term budget
10. What statements do business owners review to determine how their businesses are performing?
    1. Liability statements
    2. Financial statements
    3. Cast statements
    4. Profit statements

**In the blanks provided, write the word of phrase that best completes each sentence.**

1. A \_\_\_\_\_\_\_\_\_\_ gives a new company its general direction.
2. A \_\_\_\_\_\_\_\_\_\_ is a written description of the business idea and how it will be carried out, including all major business activities.
3. Several years of operation are usually required before a new business earns a \_\_\_\_\_\_\_\_\_\_.
4. \_\_\_\_\_\_\_\_\_\_ financing is money needed for equipment, inventory, supplies, and the like.
5. The money needed to start and operate a new business usually comes from a combination of \_\_\_\_\_\_\_\_\_\_-supplied and \_\_\_\_\_\_\_\_\_\_ funds.
6. \_\_\_\_\_\_\_\_\_\_ management ensures that needed employees are available and that they are productive, paid, and satisfied with their work.
7. A \_\_\_\_\_\_\_\_\_\_\_ employee regularly works a schedule of 30 hours or more a week.
8. A \_\_\_\_\_\_\_\_\_\_\_\_ pays a specific amount of money for each week or month worked.
9. A \_\_\_\_\_\_\_\_\_\_\_\_ system combines a wage or salary with an additional amount determined by the employee’s performance.
10. Time off for vacation is a popular fringe \_\_\_\_\_\_\_\_\_\_ for employees.
11. A \_\_\_\_\_\_\_\_\_\_ can be compared to a road may because it identifies the business’s progression toward its financial destination.
12. \_\_\_\_\_\_\_\_\_\_ records identify the type and quantity of products available for sale.
13. \_\_\_\_\_\_\_\_\_\_ records identify the buildings and equipment owned by a business.
14. The age of \_\_\_\_\_\_\_\_\_\_ has made financial record keeping much more efficient and accurate.
15. The \_\_\_\_\_\_\_\_\_\_ reports the revenues, expenses, and net income or loss from business operations for a specific period of time.